

Rule 2.7, 3.10.3, 3.10.4, 3.10.5

# Appendix 3B

## New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 01/07/96 Origin: Appendix 5 Amended 01/07/98, 01/09/99, 01/07/00, 30/09/01, 11/03/02, 01/01/03, 24/10/05, 01/08/12, 04/03/13

Name of entity

**ALARA RESOURCES LIMITED (AUQ)**

ABN

**27 122 892 719**

We (the entity) give ASX the following information.

### Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- |   |   |  |
|---|---|--|
| 1 | +Class of +securities issued or to be issued  | (a) \$0.15 (21 November 2016) Unlisted Managing Director's Options<br>(b) \$0.20 (21 November 2016) Unlisted Managing Director's Options   |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued   | (a) 6,666,667<br>(b) 3,333,333   |
| 3 | Principal terms of the +securities (e.g. if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | (a) \$0.15 (21 November 2016) Unlisted Managing Director's Options:<br>(1) \$0.15 exercise price;<br>(2) 5:00pm (Perth time) on 21 November 2016 expiry date;<br>(3) The full terms and conditions of issue are contained in <u>Annexure A</u><br>(b) \$0.20 (21 November 2016) Unlisted Managing Director's Options:<br>(1) \$0.20 exercise price;<br>(2) 5:00pm (Perth time) on 21 November 2016 expiry date;<br>(3) The full terms and conditions of issue are contained in <u>Annexure B</u> |

+ See chapter 19 for defined terms.

<p>4 Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities?</p> <p>If the additional +securities do not rank equally, please state:</p> <ul style="list-style-type: none"> <li>• the date from which they do</li> <li>• the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment</li> <li>• the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment</li> </ul>	<p>(a) New class of options          (b) New class of options</p> <p>Shares issued upon exercise of each option within the new class of options have the same rights as other fully paid ordinary shares on issue.</p>
<p>5 Issue price or consideration</p>	<p>Nil</p>
<p>6 Purpose of the issue          (If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<p>Issue of options to the Managing Director of the Company pursuant to the terms of his engagement and pursuant to shareholder approval at the Company's 2013 annual general meeting (<b>AGM</b>) held on 22 November 2013 (refer Notice of AGM dated 10 October 2013 and released on ASX on 25 October 2013)</p>
<p>6a Is the entity an +eligible entity that has obtained security holder approval under rule 7.1A?</p> <p>If Yes, complete sections 6b – 6h in relation to the +securities the subject of this Appendix 3B, and comply with section 6i</p>	<p>No</p>
<p>6b The date the security holder resolution under rule 7.1A was passed</p>	<p>Not applicable</p>
<p>6c Number of +securities issued without security holder approval under rule 7.1</p>	<p>Not applicable</p>
<p>6d Number of +securities issued with security holder approval under rule 7.1A</p>	<p>Not applicable</p>
<p>6e Number of +securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting)</p>	<p>Not applicable</p>
<p>6f Number of +securities issued under an exception in rule 7.2</p>	<p>Not applicable</p>

+ See chapter 19 for defined terms.

<p>6g If +securities issued under rule 7.1A, was issue price at least 75% of 15 day VWAP as calculated under rule 7.1A.3? Include the +issue date and both values. Include the source of the VWAP calculation.</p>	<p>Not applicable</p>				
<p>6h If +securities were issued under rule 7.1A for non-cash consideration, state date on which valuation of consideration was released to ASX Market Announcements</p>	<p>Not applicable</p>				
<p>6i Calculate the entity's remaining issue capacity under rule 7.1 and rule 7.1A – complete Annexure 1 and release to ASX Market Announcements</p>	<p>Under Listing Rule 7.1 – 36,301,125 shares</p>				
<p>7 +Issue dates</p> <p>Note: The issue date may be prescribed by ASX (refer to the definition of issue date in rule 19.12). For example, the issue date for a pro rata entitlement issue must comply with the applicable timetable in Appendix 7A.</p> <p>Cross reference: item 33 of Appendix 3B.</p>	<p>(a) 22 November 2013          (b) 22 November 2013</p>				
<p>8 Number and +class of all +securities quoted on ASX (including the +securities in section 2 if applicable)</p>	<table border="1"> <thead> <tr> <th>Number</th> <th>+Class</th> </tr> </thead> <tbody> <tr> <td>242,007,500 (also refer Table A)</td> <td>ORDINARY (ASX Code: AUQ)</td> </tr> </tbody> </table>	Number	+Class	242,007,500 (also refer Table A)	ORDINARY (ASX Code: AUQ)
Number	+Class				
242,007,500 (also refer Table A)	ORDINARY (ASX Code: AUQ)				
<p>9 Number and +class of all +securities not quoted on ASX (including the +securities in section 2 if applicable)</p>	<table border="1"> <thead> <tr> <th>Number</th> <th>+Class</th> </tr> </thead> <tbody> <tr> <td>Refer Table A</td> <td>Refer Table A</td> </tr> </tbody> </table>	Number	+Class	Refer Table A	Refer Table A
Number	+Class				
Refer Table A	Refer Table A				
<p>10 Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)</p>	<p>Upon conversion of options into fully paid ordinary shares - same rights as other fully paid ordinary shares on issue.</p>				

+ See chapter 19 for defined terms.

TABLE A

The Company currently has the following securities on issue:

Class of Security	Quoted on ASX	Unlisted	Total
Fully paid ordinary shares	242,007,500	-	242,007,500
\$0.50 (25 May 2014) Unlisted Options <sup>1</sup>	-	200,000	200,000
\$0.60 (25 May 2014) Unlisted Directors' Options <sup>2</sup>	-	250,000	250,000
\$0.60 (25 May 2014) Unlisted Options <sup>1</sup>	-	125,000	125,000
\$0.70 (25 May 2014) Unlisted Options <sup>1</sup>	-	125,000	125,000
\$0.35 (25 October 2014) Unlisted Options <sup>3</sup>	-	3,650,000	3,650,000
\$0.60 (25 October 2014) Unlisted Options <sup>3</sup>	-	2,000,000	2,000,000
\$0.35 (22 August 2015) Unlisted Options <sup>4</sup>	-	400,000	400,000
\$0.15 (21 November 2016) Unlisted Managing Director's Options	-	6,666,667	6,666,667
\$0.20 (21 November 2016) Unlisted Managing Director's Options	-	3,333,333	3,333,333
<b>Total</b>	<b>242,007,500</b>	<b>16,750,000</b>	<b>258,757,500</b>

## Part 2 - Pro rata issue

11	Is security holder approval required?	Not applicable
12	Is the issue renounceable or non-renounceable?	Not applicable
13	Ratio in which the +securities will be offered	Not applicable
14	+Class of +securities to which the offer relates	Not applicable
15	+Record date to determine entitlements	Not applicable
16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	Not applicable
17	Policy for deciding entitlements in relation to fractions	Not applicable
18	Names of countries in which the entity has security holders who will not be sent new offer documents  Note: Security holders must be told how their entitlements are to be dealt with.  Cross reference: rule 7.7.	Not applicable
19	Closing date for receipt of acceptances or renunciations	Not applicable

<sup>1</sup> Terms and conditions of issue are set out in an ASX [Appendix 3B New Issue Announcement lodged on 5 September 2011](#)

<sup>2</sup> Terms and conditions of issue are set out in a terms and conditions of issue are set out in a [Notice of General Meeting and Explanatory Statement dated 15 April 2011](#) for a General Meeting held on 26 May 2011 and in an [ASX Appendix 3B New Issue Announcement lodged on 27 May 2011](#)

<sup>3</sup> Terms and conditions of issue are set out in a [Notice of Annual General Meeting and Explanatory Statement dated 26 October 2009](#) for an Annual General Meeting held on 30 November 2009 and in ASX Appendix 3B New Issue Announcements lodged on [26 October 2009](#) and [1 December 2009](#)

<sup>4</sup> Terms and conditions of issue are set out in an ASX [Appendix 3B New Issue Announcement lodged on 23 August 2010](#)

+ See chapter 19 for defined terms.

20	Names of any underwriters	Not applicable
21	Amount of any underwriting fee or commission	Not applicable
22	Names of any brokers to the issue	Not applicable
23	Fee or commission payable to the broker to the issue	Not applicable
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of security holders	Not applicable
25	If the issue is contingent on security holders' approval, the date of the meeting	Not applicable
26	Date entitlement and acceptance form and offer documents will be sent to persons entitled	Not applicable
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	Not applicable
28	Date rights trading will begin (if applicable)	Not applicable
29	Date rights trading will end (if applicable)	Not applicable
30	How do security holders sell their entitlements in full through a broker?	Not applicable
31	How do security holders sell part of their entitlements through a broker and accept for the balance?	Not applicable
32	How do security holders dispose of their entitlements (except by sale through a broker)?	Not applicable
33	<sup>+</sup> Issue date	Not applicable

### Part 3 - Quotation of securities

*You need only complete this section if you are applying for quotation of securities*

34 Type of <sup>+</sup>securities  
 (tick one)

(a)  <sup>+</sup>Securities described in Part 1

(b)  All other <sup>+</sup>securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

<sup>+</sup> See chapter 19 for defined terms.

Entities that have ticked box 34(a)

**Additional securities forming a new class of securities**

Tick to indicate you are providing the information or documents

- 35  If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders
- 36  If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories  
 1 - 1,000  
 1,001 - 5,000  
 5,001 - 10,000  
 10,001 - 100,000  
 100,001 and over
- 37  A copy of any trust deed for the additional +securities

Entities that have ticked box 34(b)

- 38 Number of +securities for which +quotation is sought 

Not applicable
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- 39 +Class of +securities for which quotation is sought 

Not applicable
----------------
- 40 Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities?  
 If the additional +securities do not rank equally, please state:  
 • the date from which they do  
 • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment  
 • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment
- |                |
|----------------|
| Not applicable |
|----------------|
- 41 Reason for request for quotation now  
 Example: In the case of restricted securities, end of restriction period  
 (if issued upon conversion of another +security, clearly identify that other +security)
- |                |
|----------------|
| Not applicable |
|----------------|
- 42 Number and +class of all +securities quoted on ASX (including the +securities in clause 38)
- | Number         | +Class         |
|----------------|----------------|
| Not applicable | Not applicable |

+ See chapter 19 for defined terms.

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**Quotation agreement**

1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.

2 We warrant the following to ASX.

- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
- There is no reason why those +securities should not be granted +quotation.
- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
- If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

4 We give ASX the information and documents required by this form. If any information or document is not available now, we will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.



Sign here: .....  
**Company Secretary**

Date: **28 November 2013**

Print name: **VICTOR HO**

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+ See chapter 19 for defined terms.

## Appendix 3B – Annexure 1

### Calculation of placement capacity under rule 7.1 and rule 7.1A for eligible entities

Introduced 01/08/12 Amended 04/03/13

#### Part 1

<b>Rule 7.1 – Issues exceeding 15% of capital</b>	
<b>Step 1: Calculate “A”, the base figure from which the placement capacity is calculated</b>	
<b>Insert</b> number of fully paid +ordinary securities on issue 12 months before the +issue date or date of agreement to issue	242,007,500
<b>Add</b> the following:	
• Number of fully paid +ordinary securities issued in that 12 month period under an exception in rule 7.2	Nil
• Number of fully paid +ordinary securities issued in that 12 month period with shareholder approval	Nil
• Number of partly paid +ordinary securities that became fully paid in that 12 month period	Nil
<i>Note:</i> <ul style="list-style-type: none"> <li>• Include only ordinary securities here – other classes of equity securities cannot be added</li> <li>• Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</li> <li>• It may be useful to set out issues of securities on different dates as separate line items</li> </ul>	
<b>Subtract</b> the number of fully paid +ordinary securities cancelled during that 12 month period	Nil
<b>“A”</b>	242,007,500
<b>Step 2: Calculate 15% of “A”</b>	
<b>“B”</b>	0.15 <i>[Note: this value cannot be changed]</i>
<b>Multiply</b> “A” by 0.15	36,301,125

+ See chapter 19 for defined terms.



<b>Step 3: Calculate “C”, the amount of placement capacity under rule 7.1 that has already been used</b>	
<i>Insert</i> number of +equity securities issued or agreed to be issued in that 12 month period <i>not counting</i> those issued:	
• Under an exception in rule 7.2	Nil
• Under rule 7.1A	Nil
• With security holder approval under rule 7.1 or rule 7.4	Nil
<p>Note:</p> <ul style="list-style-type: none"> <li>• <i>This applies to equity securities, unless specifically excluded – not just ordinary securities</i></li> <li>• <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i></li> <li>• <i>It may be useful to set out issues of securities on different dates as separate line items</i></li> </ul>	
<b>“C”</b>	<b>Nil</b>
<b>Step 4: Subtract “C” from [“A” x “B”] to calculate remaining placement capacity under rule 7.1</b>	
<p>“A” x 0.15</p> <p>Note: number must be same as shown in Step 2</p>	36,301,125
<p><b>Subtract “C”</b></p> <p>Note: number must be same as shown in Step 3</p>	Nil
<b>Total</b> [“A” x 0.15] – “C”	<p>36,301,125</p> <p><i>[Note: this is the remaining placement capacity under rule 7.1]</i></p>

+ See chapter 19 for defined terms.

Part 2

<b>Rule 7.1A – Additional placement capacity for eligible entities</b>	
<b>Step 1: Calculate “A”, the base figure from which the placement capacity is calculated</b>	
<b>“A”</b>  <i>Note: number must be same as shown in Step 1 of Part 1</i>	Not applicable
<b>Step 2: Calculate 10% of “A”</b>	
<b>“D”</b>	0.10  <i>Note: this value cannot be changed</i>
<b>Multiply “A” by 0.10</b>	Not Applicable
<b>Step 3: Calculate “E”, the amount of placement capacity under rule 7.1A that has already been used</b>	
<b>Insert</b> number of +equity securities issued or agreed to be issued in that 12 month period under rule 7.1A  <i>Notes:</i> <ul style="list-style-type: none"> <li>• This applies to equity securities – not just ordinary securities</li> <li>• Include here – if applicable – the securities the subject of the Appendix 3B to which this form is annexed</li> <li>• Do not include equity securities issued under rule 7.1 (they must be dealt with in Part 1), or for which specific security holder approval has been obtained</li> <li>• It may be useful to set out issues of securities on different dates as separate line items</li> </ul>	Not Applicable
<b>“E”</b>	Not Applicable
<b>Step 4: Subtract “E” from [“A” x “D”] to calculate remaining placement capacity under rule 7.1A</b>	
<b>“A” x 0.10</b>  <i>Note: number must be same as shown in Step 2</i>	Not Applicable
<b>Subtract “E”</b>  <i>Note: number must be same as shown in Step 3</i>	Not Applicable
<b>Total</b> [“A” x 0.10] – “E”	Not Applicable  <i>Note: this is the remaining placement capacity under rule 7.1A</i>

+ See chapter 19 for defined terms.

**1. Nil Consideration Payable**

No subscription or application monies will be payable for the issue of each option (**Option**).

**2. Entitlement**

Each Option shall entitle the holder (the **Option Holder**) to subscribe (in cash) for one (1) fully-paid ordinary share (**Share**) in the capital of Alara Resources Limited ACN 122 892 719 (**Company**) at an exercise price equal to \$0.15 (**Exercise Price**).

The Options will not be quoted on the ASX.

**3. Option Period**

Each Option will expire at 5:00pm (Perth time) on the third anniversary of the date of issue of such Option (such date being referred to as the **Option Expiry Date**). Subject to Clauses 4, 5 and 9 hereof, each Option may be exercised by the Option Holder at any time prior to the Option Expiry Date and any Option not so exercised shall automatically expire on the Option Expiry Date.

**4. Vesting Conditions (Non-Exercise Periods)**

4.1 Options may only be exercised after they have vested. The Options will vest (**Vested Options**) as follows:

4.1.1 3,333,334 of the Options issued to each Option Holder will vest upon the attainment of **Milestone 1** on or before 31 March 2014 (which Options may therefore be exercised at any time thereafter prior to the Option Expiry Date); and

4.1.2 3,333,333 of the Options issued to each Option Holder will vest upon the attainment of **Milestone 2** on or before 31 December 2014 (which Options may therefore be exercised at any time thereafter and prior to the Option Expiry Date).

4.2 Any Option that has not become vested in accordance with clause 4.1 will immediately become vested on, and may be exercised on and from, the date of such vesting until 5.00pm on the Option Expiry Date (subject to lapse in accordance with these terms of issue) where:

4.2.1 a takeover bid is made for the Company;

4.2.2 a Court orders that a meeting of shareholders of the Company be held to consider a scheme of arrangement between the Company and its shareholders; or

4.2.3 some other transaction has occurred, or is likely to occur, which involves a change of control of the Company.

4.3 "**Milestone 1**" means the securing of the following licences in respect of the Khnaiguiyah Project:

(a) The transfer of the Khnaiguiyah Project mining licence from Manajem to KMC;

(b) The expansion of the Khnaiguiyah Project mining licence to include areas the subject of the JORC Reserves defined within the Khnaiguiyah DFS; and

(c) The issue of a water licence that satisfies the requirements defined within the Khnaiguiyah DFS

(unless the Board determines, in its unfettered discretion, that these licence matters are not required for the advancement of the Khnaiguiyah Project under the circumstances in existence as at 31 March 2014).

4.4 "**Milestone 2**" means the Commencement of Construction in respect of the Khnaiguiyah Project on or before 1 June 2014 (or such other date prior to 31 December 2014 determined by the Board in its unfettered discretion) after:

(a) a Decision to Mine has been made by the Company; and

(b) the completion of Total Financing.

4.5 "**Commencement of Construction**" means the act or ceremony of breaking ground for the construction of a zinc-copper mining operation defined under the DFS and pursuant to binding contracts entered into for the completion of the same.

4.6 "**Company Financing**" means the raising of debt and or equity funds by the Company required to meet the Company's funding commitment (under the Shareholders' Agreement) to KMC to develop the Khnaiguiyah Project into production as defined under the DFS.

4.7 "**Decision to Mine**" has the same meaning defined under the Shareholders' Agreement.

4.8 "**DFS**" means the feasibility study completed on the Khnaiguiyah Project as announced by the Company on 30 April 2013 (refer ASX market announcement entitled "Positive Definitive Feasibility Study Confirms Khnaiguiyah Project as Technically and Financially Robust") (including updated versions of the same).

4.9 "**KMC**" means Khnaiguiyah Mining Company LLC.

4.10 "**Khnaiguiyah Project**" means the Company's Khnaiguiyah Zinc-Copper Project in Saudi Arabia held via joint venture company, KMC.

4.11 "**Manajem**" means United Arabian Mining Company LLC.

4.12 "**Project Financing**" means the raising of debt and or equity funds by KMC required to meet KMC's funding commitment to develop the Khnaiguiyah Project into production as defined under the DFS.

4.13 "**Shareholders' Agreement**" means the shareholders' agreement dated 21 October 2010 between the Company's subsidiary, Alara Saudi Operations Pty Limited and Manajem in respect of the formation and operation of KMC and the development of the Khnaiguiyah Project (as may be amended from time to time).

4.14 "**Total Financing**" means the securing of Project Financing (on terms acceptable by the Board of the Company) and Company Financing (on terms acceptable by the Board of the Company) required to fund the development of the Khnaiguiyah Project into production as defined under the DFS.

**5. Lapsing of Options Prior to Option Expiry Date**

5.1 Options will lapse prior to the Option Expiry Date in the circumstances described below:

5.1.1 Where Options are able to be exercised (that is, Options have vested under Clause 4):

5.1.1.1 Upon determination by the Board that the Director Option Holder has acted fraudulently, dishonestly or in breach of his obligations to the Company;

5.1.1.2 Upon the Director Option Holder ceasing to be the Managing Director of the Company (for whatever reason including by retirement, resignation, termination with notice or termination without notice) and not exercising the option within thirty (30) days following that event;

5.1.1.3 Upon the Director Option Holder ceasing to be a Director of the Company (for whatever reason including by retirement, resignation, removal by shareholders or failure to be re-elected by shareholders) and not exercising the option within thirty (30) days following that event; or

5.1.1.4 Six (6) months after the death, permanent illness or permanent physical or mental incapacity of a Director Option Holder,

unless the Board determines, in its unfettered discretion, that the Options or any of them will not lapse or that their lapse will be delayed for any period or until the occurrence of any condition.

5.1.2 Where Options have not vested in accordance with Clause 4:

5.1.2.1 Upon determination by the Board that the Director Option Holder has acted fraudulently, dishonestly or in breach of his obligations to the Company;

5.1.2.2 Upon the Director Option Holder ceasing to be the Managing Director of the Company (for whatever reason including by retirement, resignation, termination with notice or termination without notice);

5.1.2.3 Upon the Director Option Holder ceasing to be a Director of the Company (for whatever reason including by retirement, resignation, removal by shareholders or failure to be re-elected by shareholders); or

5.1.2.4 Upon the death, permanent illness or permanent physical or mental incapacity of a Director Option Holder.

5.2 Nothing in this clause means that any Option can be exercised after the Option Expiry Date.

5.3 "Director Option Holder" means:

5.3.1 the Option Holder (being the Managing Director of the Company at the date of issue) if the Option has not been transferred under clause 8 or;

5.3.2 the original Option Holder (being the Managing Director of the Company at the date of issue) if the Option has been transferred under clause 8.

## 6. Ranking of Share Issued on Exercise of Option

Each Share issued as a result of the exercise of an Option will, subject to the Constitution of the Company, rank in all respects equally with all of the existing Shares in the capital of the Company on issue at the date of issue of the Share issued pursuant to the exercise of the Option.

## 7. Notification to Option Holders

The Option Holder will be entitled to receive - and will be sent - all reports, accounts and notices required to be given to the members of the Company but will not be entitled to attend or vote at any meeting of the members of the Company unless they are, in addition to being an Option Holder, a member of the Company.

## 8. Dealings in Options

8.1 Save as provided in clause 8.2, the Option Holder may not sell, transfer, assign, mortgage or otherwise encumber an Option, unless agreed in writing by the Board and subject to any applicable law and the ASX Listing Rules.

8.2 If the Option Holder is the Director to whom the Company has offered to apply for Options, the Director/Option Holder may at any time transfer all or any of their Options to the Director's spouse, to a company in which the Director or his spouse is a shareholder, to a trustee of a trust in which the Director or his spouse has a beneficial interest to be held on that trust or to the trustee of any superannuation fund of which the Director or his spouse is a member to be held in that member's account, subject to any applicable law and the ASX Listing Rules. After any transfer of an Option permitted by this clause 8.2, a reference to the Option Holder is a reference to the transferee.

## 9. Method of Exercise of an Option

9.1 A certificate or holding statement will be issued by the Company with respect to Options held by the Option Holder. Attached to or endorsed on the reverse side of each certificate or holding statement will be a notice that is to be completed by the Option Holder when exercising the Options the subject of the certificate or holding statement (**Notice of Exercise of Options**). Vested Options may be exercised by the Option Holder completing the Notice of Exercise of Options and forwarding the same to the Secretary of the Company. The Notice of Exercise of Options must state the number of Vested Options exercised and the consequent number of ordinary Shares in the capital of the Company to be issued. The number of Vested Options exercised must be a multiple of 1,000 if only part of the Option Holder's total Vested Options are exercised. If the total number of Vested Options held by the Option Holder is less than 1,000, then all Vested Options held by the Option Holder must be exercised at the same time.

9.2 The Notice of Exercise of Options by the Option Holder must be accompanied by payment in full for the relevant number of Shares being subscribed for, being an amount equal to the Exercise Price per Share multiplied by the number of Options being exercised.

9.3 Subject to Clause 9.1 hereof, the exercise of less than all of the Option Holder's Vested Options will not prevent the Option Holder from exercising the whole or any part of the balance of the Option Holder's entitlement under the Option Holders remaining Options (when vested).

9.4 On exercise of Vested Options, the Option Holder must surrender to the Company the Option Holder's option certificate or holding statement for the Options being exercised.

9.5 If the Option Holder exercises less than the total number of Vested Options then registered in the Option Holder's name:

- 9.5.1 the Option Holder must surrender the option certificate or holding statement with respect to the Option Holder's Options to the Company; and
- 9.5.2 the Company must cancel that option certificate or holding statement and issue to the Option Holder a new certificate or holding statement with respect to the balance of the Option Holder's unexercised Options.
- 9.6 Within five (5) business days from the date the Option Holder properly exercises Vested Options held by the Option Holder, the Company shall issue to the Option Holder that number of Shares in the capital of the Company so subscribed for by the Option Holder.
- 9.7 The Company will (subject to any escrow restrictions imposed by ASX) within five (5) business days from the date of issue and allotment of Shares pursuant to the exercise of Vested Options, apply to ASX for, and use its best endeavours to obtain, Official Quotation of all such Shares, in accordance with the Corporations Act (Cth) 2001 and the Listing Rules of ASX.

#### **10. Reconstruction**

In the event of a reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company, the rights of the Option Holder will be treated in the manner set out in the Listing Rules of ASX applying to reconstructions at that time.

#### **11. Participation in New Share Issues**

There are no participating rights or entitlements inherent in the Options to participate in any new issues of capital which may be made or offered by the Company to its Shareholders from time to time prior to the Option Expiry Date unless and until the Options are exercised. The Company will ensure that during the exercise period of the Options, the record date for the purposes of determining entitlements to any new such issue, will be at least 9 Business Days after such new issues are announced in order to afford the Option Holder an opportunity to exercise any Vested Options then held by the Option Holder.

#### **12. Change of Options Exercise Price or Number of Underlying Shares**

- 12.1 If the Company makes a pro-rata issue (except a bonus issue) to the holders of ordinary Shares, the exercise price of each Option shall be adjusted in accordance with the provisions of the Listing Rules of ASX. No change will be made pursuant to the application of the above formula to the number of Shares to which the Option Holder is entitled.
- 12.2 If the Company makes a bonus issue of Shares or other securities convertible into ordinary Shares pro rata to holders of ordinary Shares the number of Shares issued on exercise of each Option will include the number of bonus Shares that would have been issued if the Option had been exercised by the Option Holder prior to the book closing date for bonus Shares. No change will be made in such circumstances to the exercise price of each Option.

**1. Nil Consideration Payable**

No subscription or application monies will be payable for the issue of each option (**Option**).

**2. Entitlement**

Each Option shall entitle the holder (the **Option Holder**) to subscribe (in cash) for one (1) fully-paid ordinary share (**Share**) in the capital of Alara Resources Limited ACN 122 892 719 (**Company**) at an exercise price equal to \$0.20 (**Exercise Price**).

The Options will not be quoted on the ASX.

**3. Option Period**

Each Option will expire at 5:00pm (Perth time) on the third anniversary of the date of issue of such Option (such date being referred to as the **Option Expiry Date**). Subject to Clauses 4, 5 and 9 hereof, each Option may be exercised by the Option Holder at any time prior to the Option Expiry Date and any Option not so exercised shall automatically expire on the Option Expiry Date.

**4. Vesting Conditions (Non-Exercise Periods)**

4.1 Options may only be exercised after they have vested. The Options will vest (**Vested Options**) as follows:

4.1.1 3,333,333 of the Options issued to each Option Holder will vest upon the attainment of **Milestone 3** on or before 31 December 2015 (which Options may therefore be exercised at any time thereafter and prior to the Option Expiry Date).

4.2 Any Option that has not become vested in accordance with clause 4.1 will immediately become vested on, and may be exercised on and from, the date of such vesting until 5.00pm on the Option Expiry Date (subject to lapse in accordance with these terms of issue) where:

- 4.2.1 a takeover bid is made for the Company;
- 4.2.2 a Court orders that a meeting of shareholders of the Company be held to consider a scheme of arrangement between the Company and its shareholders; or
- 4.2.3 some other transaction has occurred, or is likely to occur, which involves a change of control of the Company.

4.3 "**Milestone 3**" means the securing of a new mineral resources project for the Company with:

- (a) such project advanced to at least a preliminary feasibility study (pre-feasibility study) level (to a standard prescribed under the JORC Code, 2012 Edition); and
- (b) the Board determining (in its unfettered discretion) to undertake a feasibility study (to a standard prescribed under the JORC Code, 2012 Edition) on the project.

**5. Lapsing of Options Prior to Option Expiry Date**

5.1 Options will lapse prior to the Option Expiry Date in the circumstances described below:

5.1.1 Where Options are able to be exercised (that is, Options have vested under Clause 4):

5.1.1.1 Upon determination by the Board that the Director Option Holder has acted

fraudulently, dishonestly or in breach of his obligations to the Company;

5.1.1.2 Upon the Director Option Holder ceasing to be the Managing Director of the Company (for whatever reason including by retirement, resignation, termination with notice or termination without notice) and not exercising the option within thirty (30) days following that event;

5.1.1.3 Upon the Director Option Holder ceasing to be a Director of the Company (for whatever reason including by retirement, resignation, removal by shareholders or failure to be re-elected by shareholders) and not exercising the option within thirty (30) days following that event; or

5.1.1.4 Six (6) months after the death, permanent illness or permanent physical or mental incapacity of a Director Option Holder,

unless the Board determines, in its unfettered discretion, that the Options or any of them will not lapse or that their lapse will be delayed for any period or until the occurrence of any condition.

5.1.2 Where Options have not vested in accordance with Clause 4:

5.1.2.1 Upon determination by the Board that the Director Option Holder has acted fraudulently, dishonestly or in breach of his obligations to the Company;

5.1.2.2 Upon the Director Option Holder ceasing to be the Managing Director of the Company (for whatever reason including by retirement, resignation, termination with notice or termination without notice);

5.1.2.3 Upon the Director Option Holder ceasing to be a Director of the Company (for whatever reason including by retirement, resignation, removal by shareholders or failure to be re-elected by shareholders); or

5.1.2.4 Upon the death, permanent illness or permanent physical or mental incapacity of a Director Option Holder.

5.2 Nothing in this clause means that any Option can be exercised after the Option Expiry Date.

5.3 "**Director Option Holder**" means:

5.3.1 the Option Holder (being the Managing Director of the Company at the date of issue) if the Option has not been transferred under clause 8 or;

5.3.2 the original Option Holder (being the Managing Director of the Company at the date of issue) if the Option has been transferred under clause 8.

**6. Ranking of Share Issued on Exercise of Option**

Each Share issued as a result of the exercise of an Option will, subject to the Constitution of the Company, rank in all respects equally with all of the existing Shares in the capital of the Company on issue at the date of issue of the Share issued pursuant to the exercise of the Option.

## 7. Notification to Option Holders

The Option Holder will be entitled to receive - and will be sent - all reports, accounts and notices required to be given to the members of the Company but will not be entitled to attend or vote at any meeting of the members of the Company unless they are, in addition to being an Option Holder, a member of the Company.

## 8. Dealings in Options

8.1 Save as provided in clause 8.2, the Option Holder may not sell, transfer, assign, mortgage or otherwise encumber an Option, unless agreed in writing by the Board and subject to any applicable law and the ASX Listing Rules.

8.2 If the Option Holder is the Director to whom the Company has offered to apply for Options, the Director/Option Holder may at any time transfer all or any of their Options to the Director's spouse, to a company in which the Director or his spouse is a shareholder, to a trustee of a trust in which the Director or his spouse has a beneficial interest to be held on that trust or to the trustee of any superannuation fund of which the Director or his spouse is a member to be held in that member's account, subject to any applicable law and the ASX Listing Rules. After any transfer of an Option permitted by this clause 8.2, a reference to the Option Holder is a reference to the transferee.

## 9. Method of Exercise of an Option

9.1 A certificate or holding statement will be issued by the Company with respect to Options held by the Option Holder. Attached to or endorsed on the reverse side of each certificate or holding statement will be a notice that is to be completed by the Option Holder when exercising the Options the subject of the certificate or holding statement (**Notice of Exercise of Options**). Vested Options may be exercised by the Option Holder completing the Notice of Exercise of Options and forwarding the same to the Secretary of the Company. The Notice of Exercise of Options must state the number of Vested Options exercised and the consequent number of ordinary Shares in the capital of the Company to be issued. The number of Vested Options exercised must be a multiple of 1,000 if only part of the Option Holder's total Vested Options are exercised. If the total number of Vested Options held by the Option Holder is less than 1,000, then all Vested Options held by the Option Holder must be exercised at the same time.

9.2 The Notice of Exercise of Options by the Option Holder must be accompanied by payment in full for the relevant number of Shares being subscribed for, being an amount equal to the Exercise Price per Share multiplied by the number of Options being exercised.

9.3 Subject to Clause 9.1 hereof, the exercise of less than all of the Option Holder's Vested Options will not prevent the Option Holder from exercising the whole or any part of the balance of the Option Holder's entitlement under the Option Holders remaining Options (when vested).

9.4 On exercise of Vested Options, the Option Holder must surrender to the Company the Option Holder's option certificate or holding statement for the Options being exercised.

9.5 If the Option Holder exercises less than the total number of Vested Options then registered in the Option Holder's name:

9.5.1 the Option Holder must surrender the option certificate or holding statement with respect to the Option Holder's Options to the Company; and

9.5.2 the Company must cancel that option certificate or holding statement and issue to the Option Holder a new certificate or holding statement with respect to the balance of the Option Holder's unexercised Options.

9.6 Within five (5) business days from the date the Option Holder properly exercises Vested Options held by the Option Holder, the Company shall issue to the Option Holder that number of Shares in the capital of the Company so subscribed for by the Option Holder.

9.7 The Company will (subject to any escrow restrictions imposed by ASX) within five (5) business days from the date of issue and allotment of Shares pursuant to the exercise of Vested Options, apply to ASX for, and use its best endeavours to obtain, Official Quotation of all such Shares, in accordance with the Corporations Act (Cth) 2001 and the Listing Rules of ASX.

## 10. Reconstruction

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12.2 If the Company makes a bonus issue of Shares or other securities convertible into ordinary Shares pro rata to holders of ordinary Shares the number of Shares issued on exercise of each Option will include the number of bonus Shares that would have been issued if the Option had been exercised by the Option Holder prior to the book closing date for bonus Shares. No change will be made in such circumstances to the exercise price of each Option.